

Message Text

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ACTION EB-11

INFO OCT-01 NEA-11 IO-14 ISO-00 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-10 PA-04 RSC-01 AID-20 CIEP-02 SS-20

STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03 FEA-02

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SUBJ: GATT ARTICLE XXVIII RENEGOTIATIONS - SRI LANKA

REF A. STATE 213027, 29 OCT 73 B. COLOMBO 8, C. TSCSCOCUMENT

73-2, 15 JAN 73

1. ON 11 JAN ENFN/COML OFFICERJGUOET GSL DIRECTOR OF CUSTOMS, MINISTRY OF FOREIGN AND INTERNAL TRADE, AND ORALLY SUMMARIZED US POSITION, LEAVING WRITTEN PARAPHRASE OF RECOMMENDATIONS FROM REF C. GSL HAS NOW RESPONDED IN DETAIL BOTH ORALLY AND IN WRITING. SUMMARY OF RESPONSE TO POINTS IN RECOMMENDATIONS AS FOLLOWS:

A. SRI LANKA DOES NOT RPT NOT PROPOSE TO REQUEST RENEWAL OF WAIVER. INSTEAD, GSL INTENDS REGULARIZE INCREASES IN TARIFF RATES ABOVE BOUND LEVELS BY REBINDING SUCH ITEMS AT CURRENT RATES OF DUTY. THIS WOULD APPLY TO 47 ITEMS IN PART I, SCHEDULE VI.

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B. ON 61 ITEMS (PART I, SCHEDULE VI) WHERE CURRENT DUTY RATES BELOW BOUND LEVELS, GSL'S INTENTION IS TO RETAIN ORIGINAL BINDING. (THIS WOULD INCLUDE 9 ITEMS IN PART III.) GSL BELIEVES THAT "FOLLOWING TARIFF REFORM THERE HAS BEEN HIGH DEGREE INBUILT COMPENSATION ALREADY PROVIDED AND AS SUCH NO FURTHER COMPENSATION CALLED FOR."

C. SRI LANKA PROPOSES MEET DIFFICULTY ARISING FROM WIDENING MARGIN OF PREFERENCE ON ITEM 08.02 "ORANGES, TANGERINES, AND MANDARINES" BY RETAINING PREFERENTIAL RATE IN PART I, SCHEDULE VI WITH FOOTNOTE TO EFFECT THAT RATE APPEARS FOR PURPOSE OF CALCULATING PREFERENCE MARGIN ONLY AND IS NOT CONSIDERED BOUND. HIGH DUTY RATE ON THESE ITEMS ARISES FROM FACT THEY CLASSIFIED AMONG "LUXURIES", ALL OF WHICH PLACED IN HIGHEST TARIFF SLOT FOLLOWING TARIFF REFORM. IN ANY CASE, DUTY RATE ONLY OF ACAD-EMIC INTEREST SINCE ITEMS OF NO TRADE SIGNIFICANCE AND AT PRESENT IMPORT IS TOTALLY BANNED. END GSL POSITION.

2. EMBOFF HK TOLD COMMERCE DIRECTOR THIS POSITION WOULD BE UNSATISFACTORY TO US SINCE IT WOULD PERPETUATE VIOLATION OF GATT CONTRACTUAL REQUIREMENTS DUE TO CEILING BINDINGS.

3. PRESENT BILATERAL TRADE LEVELS UNDER CURRENT GSL TARIFF RATE DIFFICULT TO TELL SINCE RECENT GSL (1973) TRADE FIGURES NOT AVAILABLE. WE ARE WORKING TO OBTAIN FROM GSL CUSTOMS MOST RECENT TOTAL AND US-CEYLON BILATERAL TRADE FIGURES ON ALL ITEMS LISTED IN REF C. WOULD BE HELPFUL TO HAVE MOST RECENT PRINT-OUT OF "US TRADE WITH CEYLON 1966" (CENSUS BUREAU PUBLICATION) LAST COPY OF WHICH APPARENTLY RECEIVED SEPT 1972.

4. ALTHOUGH THIS IS NOW GSL'S FIRM WRITTEN POSITION IT HAS BEEN DISCUSSED HERE AT RELATIVELY LOW LEVEL AND EXCHANGE CAN BE REGARDED AS INFORMAL. WE BELIEVE GSL POSITION MIGHT BE MORE FLEXIBLE IF THEY WERE PRESENTED WITH FURTHER EVIDENCE BOTH WITH REGARD TO ANY REAL OR EXPECTED NET TRADE LOSSES FROM GSL TARIFF CHANGES AND WITH RESPECT TO SPECIFIC PRECED-ENTAS ASPECTS OF GSL VIOLATION GATT CONTRACTUAL REQUIREMENTS. CONCERNING NON-RESPONSE VIA GENEVA, GSL HAS SIMPLY PROCRASTIN-ATED. CUSTOMS DIRECTOR SAID USG POSITION HAD BEEN TRANSMITTED IN DETAIL FOLLOWING JAN 23, 1973 PRESENTATION IN GENEVA BUT THAT GSL HAD BEEN "DRAGGING FEET."

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5. IF, AS WE PRESUME, USG WANTS PURSUE MATTER FURTHER, ONE POSSIBILITY WOULD BE A CAREFULLY DRAFTED NOTE TRANSMITTED IN COLOMBO. ON OTHER HAND, NOW THAT INFORMAL GSL RESPONSE HAS BEEN OBTAINED, PERHAPS DISCUSSION SHOULD SHIFT BACK TO GENEVA BECAUSE OF LEGAL AND TRADE TECHNICALITIES AND BECAUSE ISSUE CAN ONLY BE SETTLED THERE. SINCE ECONOMIC OFFICER HANDLING MATTER DEPARTS FOR WASHINGTON CONSULTATION/HOME LEAVE EARLY

MARCH, PLEASE ADVISE ON NEXT STEP SOONEST.
VAN HOLLEN

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